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Serbia: Paypal arrives in Serbia

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After numerous announcements of the arrival of PayPal in Serbia, on the night between 9th and 10th April 2013, Serbia has finally been placed the list of supported countries, although PayPal has not yet officially announced the start of operations in Serbia nor has it introduced the public with its business conditions.

One of the reasons due to which the company PayPal has not previously appeared on the Serbian market is its concern regarding the relevant regulations pertaining to payment and foreign exchange operations. Namely, the previous Law on Foreign Currency Transactions stipulated that payment operations in foreign currency and RSD are to be exclusively performed through the bank, which was a legal barrier for companies engaged in payment through the Internet, like PayPal, to operate in Serbia.

Ministry of Foreign and Domestic Trade and Telecommunications recognized the possibility of electronic business and trade over the Internet as an opportunity for the citizens of Serbia to perform their transactions on much easier, faster, safer and less expensive terms. The Ministry also recognized e-trade's potential to improve the economy due to better opportunities for residents, especially entrepreneurs and small businesses, for placing their goods and services on foreign markets via electronic offer and sale, which, as a rule, includes the payment through an electronic money institution. As a response, on 17 December 2012 the Law on Amendments to the Law on Foreign Currency Transactions (*"Off. Gazette of RS", no. 119/2012*) was enacted, by which all obstacles for this type of business were supposed to have been eliminated by stipulating that "international payment transactions can also be performed through the electronic money institutions for the purpose of payments and collections based on electronic sale and purchase of goods and services" (Article 32 Paragraph 2 of the Law), thus allowing the arrival of companies like PayPal to the Serbian market.

However, it is quite obvious that the above cited phrase is far from sufficient for adequately regulating the complex area of emoney issuance and e-money transactions. A series of secondary legislative acts which would address the issue on electronic business and trade in a more detailed way is yet to be enacted. In addition, the improvement of the regulatory framework, when it comes to online business in Serbia, involves adopting or amending a number of laws such as the Law on Payment Services and the Accounting Act.

Considering that PayPal has been available in Europe since 2004, and that its operations in Serbia have been announced on numerous occasions since 2010, this event represents one significant and long expected step on Serbia's journey of harmonization with European standards. Domestically, this event certainly represents a notable first step towards meaningful liberalization and improvement of electronic business